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EXCISE

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INQUIRE=DOC15D
ITEM NO=00559559

ENVELOPE

CDSN = LGX641 MCN = 91267/22901 TOR = 912671339
PTTCZYUW RUEKJCS6197 2671340-CCCC--RUEALGX.

ZNY CCCCC

HEADER

P 241340Z SEP 91

FM JOINT STAFF WASHINGTON DC

INFO RUEADWD/OCSA WASHINGTON DC

RUENAAA/CNO WASHINGTON DC

RUEAHQA/CSAF WASHINGTON DC

RUFGAID/USEUCOM AIDES VAIHINGEN GE

RUEOACC/CDRPSYOP GP FT BRAGG NC//ASOF-POG-SB//

RUCJACC/USCINCCENT MACDILL AFB FL//CARA//

RUEOFAA/COMJSOC FT BRAGG NC//J2//

RUEALGX/SAFE

P 241324Z SEP 91

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC PRIORITY 3505

BT

CONTROLS

C O N F I D E N T I A L SECTION 01 OF 03 ABU DHABI 06197

DEPARTMENT FOR L/LEI

DEPARTMENT PASS TO OFFICE OF THE ATTORNEY GENERAL
FOR ASSISTANT ATTORNEY GENERAL ROBERT S. MUELLER

E.O.: 12356: DECL: OADR

/***** THIS IS A COMBINED MESSAGE *****/

BODY

TAGS: EFIN, CJAN, PREL, TC, OVIP (MUELLER, ROBERT)
SUBJECT: MEETING BETWEEN ASSISTANT ATTORNEY GENERAL
MUELLER

REF: ABU DHABI 6116

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY: ASSISTANT ATTORNEY GENERAL ROBERT S.
MUELLER AND AMBASSADOR MET
BOTH SIDES PROVIDED UPDATES ON
THE STATUS OF THE INDIVIDUAL INVESTIGATIONS
REGARDING BCCI, ALSO PRESENTED A THOROUGH
HISTORY OF ABU DHABI'S INVOLVEMENT WITH BCCI. THE
ASSISTANT ATTORNEY GENERAL MADE THE POINT THAT THE
U.S. WAS INTERESTED IN COOPERATING WITH ABU DHABI
OFFICIALS TO GAIN MUTUAL BENEFIT FROM THE TWO
INVESTIGATIONS. SPECIFICALLY, MUELLER SAID HE WAS

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DEPARTMENT OF STATE		IS/FPC/CDR	Date. <u>2/13/95</u>
☐ RELEASE	☐ DECLASSIFY	MR Cases Only	
☒ EXCISE	☒ DECLASSIFY	EO Citations	
☐ DENY	IN PART		
☐ DELETE Non-Responsive Info			
FOIA Exemptions <u>131</u>			
PA Exemptions			
		TS authority to	
		☐ CLASSIFY as ☐ S or ☐ C OADR	
		☐ DOWNGRADE TS to ☐ S or ☐ C OADR	

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INTERESTED IN GAINING ACCESS TO DOCUMENTS AND BCCI OFFICIALS HELD BY ABU DHABI AUTHORITIES AND ALSO OFFERED TO SEND ATTORNEYS FROM THE JUSTICE DEPARTMENT TO ABU DHABI TO ASSIST AND LEARN FROM ABU DHABI INVESTIGATORS. ABU DHABI AGREED IN PRINCIPLE TO COOPERATE WITH U.S. OFFICIALS, HE NOTED THAT THE ABU DHABI INVESTIGATION WAS STILL IN ITS PRELIMINARY STAGES AND THERE WAS MUCH TO BE SORTED OUT. ABU DHABI

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FORMAL INTERACTION WOULD NOT BE POSSIBLE FOR AT LEAST 1 -2 MONTHS. END SUMMARY.

3. ASSISTANT ATTORNEY GENERAL ROBERT S. MUELLER AND DELEGATION, ACCOMPANIED BY AMBASSADOR, MET WITH

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ASSISTANT ATTORNEY GENERAL MUELLER BEGAN THE MEETING BY EXPLAINING THE ROLE OF THE U.S. JUSTICE DEPARTMENT IN AND THE STATUS OF THE BCCI-RELATED PROCEEDINGS IN THE U.S. MUELLER SPECIFICALLY MENTIONED THE 1989 TAMPA CONVICTIONS AND PENDING INVESTIGATIONS INVOLVING THE SECRET ACQUISITION OF FIRST AMERICAN, BANKSHARES, INDEPENDENCE BANK, NATIONAL BANK OF GEORGIA, AND CENTRUST.

4. MUELLER STATED THAT AT THIS POINT THE TWO MAIN GOALS OF THE U.S. WERE TO LEARN WHAT PLANS ABU DHABI AUTHORITIES HAD FOR THOSE BCCI OFFICIALS IN ABU DHABI RECENTLY DETAINED FOR QUESTIONING, AND SECONDLY TO SEEK MUTUAL COOPERATION BETWEEN ABU DHABI AUTHORITIES AND THE U.S. WITH REGARD TO THE SEPARATE INVESTIGATIONS UNDERWAY. IN PARTICULAR, MUELLER NOTED THAT HE DESIRED COOPERATION WITH ABU DHABI AUTHORITIES IN MAKING DOCUMENTS AND WITNESSES AVAILABLE TO BOTH INVESTIGATING PARTIES.

5. ABU DHABI NOTED THE ATMOSPHERE OF BAD PUBLICITY SURROUNDING THE BCCI AFFAIR.

THE BCCI CASE IS VERY COMPLEX, GIVEN BCCI'S 400 BRANCHES AND 14,000 EMPLOYEES. HE PROCEEDED TO SUMMARIZE THE HISTORY OF ABU DHABI'S INVOLVEMENT WITH BCCI, SAYING THAT ABU DHABI'S LACK OF EXPERIENCE IN SUCH MATTERS, AND THE RESULTING NEED TO RELY UPON ADVISORS, AS WELL AS THEIR NATURAL INCLINATION TO AID IN THE EFFORTS OF THOSE INTERESTED IN NON-ALIGNED NATION EFFORTS, MADE THEM VERY VULNERABLE TO FRAUD. WHEN ABU DHABI OFFICIALS WERE FIRST APPROACHED TO BE INVESTORS IN BCCI, THEY DID NOT EXPECT TO HAVE AN ACTIVE MANAGEMENT ROLE.

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6. ABU DHABI OFFICIALS WERE FIRST APPROACHED IN 1981 BY BCCI MANAGEMENT AND OFFERED BCCI STOCK ON A GUARANTEED TWO YEAR BUY-BACK BASIS, WITH A FURTHER GUARANTEE OF 10 PERCENT PER YEAR. [

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[ADVISORS TO SHAYKH ZAYID DISMISSED THE OFFER, BUT BCCI OFFICIALS WENT OVER THEIR HEADS AND CONVINCED THE RULING FAMILY TO ACCEPT A 20 PERCENT RETURN ON PURCHASED STOCK. [] AT

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THIS POINT ABU DHABI OFFICIALS TRUSTED BCCI MANAGEMENT AND THAT THE "FULL-SERVICE ATTITUDE" OF BCCI OFFICIALS LULLED ABU DHABI INTO A FALSE SENSE OF CONFIDENCE.

7. ABU DHABI INITIALLY INVESTED USD 50 MILLION INTO

/***** BEGINNING OF SECTION 002 *****/

BCCI, [] ADDING THAT "THIS WAS NOTHING." THE INVESTMENT AMOUNTED TO A PARTIAL PURCHASE OF THE BCCI STOCK OWNED BY MR. BIN MAHFOOZ, SAUDI OWNER OF NATIONAL COMMERCIAL BANK. AFTER TWO YEARS, NO EFFORT WAS MADE BY ABU DHABI OFFICIALS TO RECLAIM THEIR ORIGINAL INVESTMENT IN BCCI, AND THE EQUITY REMAINED WITH THE BANK. IN 1988, ABU DHABI OFFICIALS WERE AGAIN APPROACHED BY BCCI MANAGEMENT, THIS TIME WITH A REQUEST FOR USD 425 MILLION. BIN MAHFOOZ HAD PURCHASED 20 PERCENT OF BCCI ON A TWO YEAR OPTION AND NOW WANTED TO GET OUT OF BCCI. BCCI DID NOT HAVE THE MONEY TO REIMBURSE MAHFOOZ FOR HIS INVESTMENT AND CONSTRAINTS (UNSPECIFIED) PRECLUDED THEM FROM GOING ELSEWHERE.

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8. ABU DHABI OFFICIALS AGREED TO PROVIDE THE USD 425 MILLION AND IN 1989 WERE AGAIN ASKED FOR HELP AS BCCI WAS FACING PROBLEMS RESULTING FROM THE INDICTMENTS BY U.S. AUTHORITIES AGAINST BCCI IN TAMPA. BCCI OFFICIALS ADMITTED THERE WERE PROBLEMS WITH SOME OF THE ACCOUNTS, BUT SOMETHING HAD TO BE DONE TO PROTECT THE SMALLER ACCOUNT HOLDERS IN POORER COUNTRIES. ABU DHABI OFFICIALS WERE TOLD THAT IN ORDER TO SETTLE THE TAMPA MATTER WITH U.S. AUTHORITIES THEY WOULD HAVE TO ADMIT BCCI HAD COMMITTED SOME CRIMES, BUT THAT ONCE THE PLEA WAS ENTERED, THE MATTER WOULD BE CLOSED AND BCCI COULD CONTINUE TO OPERATE AS THE WRONGDOERS WOULD NO LONGER BE WITH THE BANK. BCCI ALSO INDICATED THERE WAS A PROBLEM WITH THE MAHFOOZ SHARES, SAYING THAT "SOMEONE MUST ADMIT TO OWNING THEM."

9. AT THIS POINT, ABU DHABI OFFICIALS BEGAN TO GET SUSPICIOUS AND THIS FEELING WAS HEIGHTENED WHEN THEY

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WERE TOLD BY SWALEH NAQVI THAT THE USD 70-80 MILLION THEY HAD RECEIVED ON THEIR USD 425 MILLION INVESTMENT WERE BORROWED FUNDS, AND THUS ABU DHABI WOULD HAVE TO KICK IN A TOTAL OF USD 500 MILLION TO PUT THE BANK'S FIRMLY ON ITS FEET. WITH THIS INFUSION OF CAPITAL, ABU DHABI BECAME 77 PERCENT SHAREHOLDERS IN BCCI. FOLLOWING THIS DEVELOPMENT, THE ABU DHABI OFFICIALS STILL BELIEVED BCCI'S PROBLEMS WERE MANAGEMENT-RELATED

10. PRICE-WATERHOUSE, ALONG WITH BOOZ ALLEN, WAS ASKED FOR ADVICE TO HELP ABU DHABI COPE WITH BCCI'S PROBLEMS AND TO SUGGEST A POSSIBLE RESTRUCTURING PLAN. PRICE-WATERHOUSE BEGAN A SYSTEMATIC INVESTIGATION OF THE BANK'S OPERATIONS IN OCTOBER 1990, WITH THE ASSISTANCE OF SEVERAL ABU DHABI OFFICIALS. THE INVESTIGATION RESULTED IN THE UNCOVERING OF FRAUDULENT DOCUMENTS RELATING TO BCCI OPERATIONS. FOLLOWING THE 4 JULY 1991 SHUTDOWN OF BCCI BY THE BANK OF ENGLAND (BOE), ABU DHABI OFFICIALS FACED THE HUGE PROBLEM OF DEALING WITH BCCI'S CREDITORS AND DEPOSITORS.

11. ABU DHABI AUTHORITIES BELIEVE THEY HAVE THE GREATEST CLAIM ON THE BCCI OFFICIALS CURRENTLY BEING DETAINED HERE. CHARGES AGAINST THOSE STILL DETAINED WERE IMMINENT, ALTHOUGH THEY WOULD SIMPLY BE HOLDING CHARGES, SUFFICIENT TO KEEP THE INDIVIDUALS HERE UNTIL THE CASE IS SORTED OUT. ASSISTANT ATTORNEY GENERAL MUELLER NOTED THAT MANY COUNTRIES HAVE A PIECE OF THE BCCI PUZZLE AND THEY MUST WORK COOPERATIVELY TO PUT THE PIECES TOGETHER. LINES OF COMMUNICATION BETWEEN THE U.S. AND ABU DHABI MUST BE OPENED TO ALLOW AN EXCHANGE OF INFORMATION, EVIDENCE AND IDEAS.

12. MUELLER STATED THAT THE U.S. HAS FOUR GOALS IN COOPERATING WITH ABU DHABI AUTHORITIES. FIRST, THE U.S. WILL GAIN THE NECESSARY KNOWLEDGE OF THE LOCAL LEGAL SYSTEM; SECOND, THE U.S. WILL BE ABLE TO ACCESS THE RELEVANT BCCI DOCUMENTS CURRENTLY IN THE POSSESSION OF ABU DHABI AUTHORITIES; THIRD THE U.S. CAN LEARN WHICH OF THE LOCAL DETAINEES MIGHT BE WILLING TO TALK TO U.S. INVESTIGATORS; AND FINALLY OUTSTANDING U.S. CHARGES AGAINST SWALEH NAQVI CAN BE LEVELED AND PERHAPS THE U.S. COULD PROSECUTE NAQVI

/***** BEGINNING OF SECTION 003 *****/
NOW WHILE ABU DHABI AUTHORITIES PURSUE THEIR INVESTIGATION. MUELLER ADDED THAT HE COULD SEND TWO

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DOJ ATTORNEYS TO ABU DHABI IMMEDIATELY TO ASSIST AND LEARN FROM LOCAL PROSECUTORS.

13. ABU DHABI AUTHORITIES WERE NOT YET PREPARED TO FULLY COOPERATE WITH U.S. OFFICIALS, SIMPLY BECAUSE THE ABU DHABI INVESTIGATION IS STILL BEING SORTED OUT. [

BOTH SIDES SHOULD REMAIN IN TOUCH AND DOJ OFFICIALS SHOULD CONSULT WITH ABU DHABI'S U.S.-BASED ATTORNEYS. [AGREED WITH AMBASSADOR'S COMMENT THAT WE SHOULD INSURE OTHERS DO NOT GET THE IMPRESSION THAT NO COOPERATION IS UNDERWAY BETWEEN ABU DHABI AND U.S. OFFICIALS.

14. COMMENT: [WOULD NOT BUDGE ON ANY SPECIFIC REQUEST FOR COOPERATION, ALTHOUGH HE AGREED TO THE IDEAS IN PRINCIPLE.

[INEXPERIENCE OF ABU DHABI OFFICIALS IN INVESTIGATING SUCH MATTERS. FURTHER, THE OUTSIDE INVESTIGATORS ASSISTING ABU DHABI DO NOT YET UNDERSTAND THE BACKGROUND AND COMPLEXITY OF THE BCCI-ABU DHABI RELATIONSHIP. [

ANY SORT OF FIRM EXCHANGE/COOPERATION WITH U.S. OFFICIALS WOULD NOT BE POSSIBLE FOR AT LEAST 1-2 MONTHS. END COMMENT.
WALKER

ADMIN
BT

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